

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

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March 13, 2014

Mr. Joey Haney, Vice President of Finance
White Oak Management, Inc.
Post Office Box 3347
Spartanburg, South Carolina 29304

Re: AC# 3-WOS-J0 – White Oak Manor, Inc. d/b/a White Oak Manor - Spartanburg

Dear Mr. Haney:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2009 through September 30, 2010. That report was used to set the rate covering the contract period beginning November 1, 2011.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate change shown on Exhibit A. You will be notified of settlement terms by that Agency.

Yours very truly,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider
Ms. Nicole Mitchell Threat
Ms. Melissa Simmons

**WHITE OAK MANOR, INC. D/B/A
WHITE OAK MANOR - SPARTANBURG
SPARTANBURG, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING NOVEMBER 1, 2011
AC# 3-WOS-J0**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

November 21, 2013

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with White Oak Manor, Inc. d/b/a White Oak Manor - Spartanburg, for the contract period beginning November 1, 2011, and for the twelve month cost report period ended September 30, 2010, as set forth in the accompanying schedules. The management of White Oak Manor, Inc. d/b/a White Oak Manor - Spartanburg is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by White Oak Manor, Inc. d/b/a White Oak Manor - Spartanburg, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summary of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and White Oak Manor, Inc. d/b/a White Oak Manor - Spartanburg dated as of October 1, 2011, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
November 21, 2013

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

WHITE OAK MANOR - SPARTANBURG
Computation of Rate Change
For the Contract Period
Beginning November 1, 2011
AC# 3-WOS-J0

	<u>11/01/11-</u> <u>09/30/12</u>
Adjusted Reimbursement Rate	\$169.94
Interim Reimbursement Rate (1)	<u>168.67</u>
Increase in Reimbursement Rate	\$ <u><u>1.27</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated April 10, 2012.

WHITE OAK MANOR - SPARTANBURG
 Computation of Adjusted Reimbursement Rate
 For the Contract Period November 1, 2011 Through September 30, 2012
 AC# 3-WOS-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$106.37	\$108.41	
Dietary		18.43	15.92	
Laundry/Housekeeping/Maintenance		<u>13.77</u>	<u>14.77</u>	
Subtotal	\$ <u>.53</u>	138.57	139.10	\$138.57
Administration & Medical Records	\$ <u>4.72</u>	<u>15.90</u>	<u>20.62</u>	<u>15.90</u>
Subtotal		154.47	<u>\$159.72</u>	154.47
<u>Costs Not Subject to Standards:</u>				
Utilities		3.62		3.62
Special Services		.02		.02
Medical Supplies & Oxygen		6.65		6.65
Taxes and Insurance		2.46		2.46
Legal Fees		<u>.08</u>		<u>.08</u>
TOTAL		<u>\$167.30</u>		167.30
Inflation Factor (N/A)				-
Cost of Capital				6.18
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				4.72
Cost Incentive				.53
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.50)
Budget Neutrality Adjustment (3.02%)				<u>(5.29)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$169.94</u>

WHITE OAK MANOR - SPARTANBURG
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2010
 AC# 3-WOS-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$6,828,492	\$208,676 (2) 123,592 (3) 2,276 (3)	\$ 631 (4) 2,774 (4) 3,196 (5) 347 (5)	\$7,156,088
Dietary	1,228,091	1,911 (2) 11,628 (3)	1,599 (5)	1,240,031
Laundry	179,968	2,797 (3)	-	182,765
Housekeeping	428,559	721 (2) 6,364 (3) 330 (7)	87 (5) 336 (8)	435,551
Maintenance	308,670	1 (1) 3,216 (5) 230 (7)	3,694 (3) 229 (8)	308,194
Administration & Medical Records	1,108,070	33 (3) 714 (5) 91 (7)	7,930 (3) 124 (4) 29,953 (5) 1,359 (8)	1,069,542
Utilities	243,286	180 (7)	68 (5) 180 (8)	243,218
Special Services	1,269	-	-	1,269
Medical Supplies & Oxygen	668,544	1,812 (4)	218,471 (2) 4,159 (6)	447,726

WHITE OAK MANOR - SPARTANBURG
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2010
AC# 3-WOS-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Taxes and Insurance	165,945	119 (7)	273 (5) 125 (8)	165,666
Legal Fees	5,633	-	7 (8)	5,626
Cost of Capital	416,564	34 (1) 61 (7)	470 (5) 64 (8) 588 (9)	415,537
Subtotal	11,583,091	364,786	276,664	11,671,213
Ancillary	390,786	7,163 (2)	4,356 (4)	393,593
Nonallowable	1,183,039	6,073 (4) 32,063 (5) 4,159 (6) 2,300 (8) 588 (9)	35 (1) 135,066 (3) 1,011 (7)	1,092,110
CNA Training and Testing	<u>1,577</u>	<u>-</u>	<u>-</u>	<u>1,577</u>
Total Operating Expenses	<u>\$13,158,493</u>	<u>\$417,132</u>	<u>\$417,132</u>	<u>\$13,158,493</u>
Total Patient Days	<u>67,277</u>	<u>-</u>	<u>-</u>	<u>67,277</u>
Total Beds	<u>192</u>			

WHITE OAK MANOR - SPARTANBURG
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-WOS-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$194,453	
	Other Equity	26,993	
	Maintenance	1	
	Cost of Capital	34	
	Accumulated Depreciation		\$221,446
	Nonallowable		35
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nursing	208,676	
	Dietary	1,911	
	Housekeeping	721	
	Ancillary	7,163	
	Medical Supplies		218,471
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
3	Nursing	123,592	
	Restorative	2,276	
	Dietary	11,628	
	Laundry	2,797	
	Housekeeping	6,364	
	Medical Records	33	
	Maintenance		3,694
	Administration		7,930
	Nonallowable		135,066
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Medical Supplies	1,812	
	Nonallowable	6,073	
	Nursing		631
	Restorative		2,774
	Medical Records		124
	Ancillary		4,356
	To adjust related party cost HIM-15-1, Section 1000		

WHITE OAK MANOR - SPARTANBURG
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-WOS-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Maintenance	3,216	
	Medical Records	714	
	Nonallowable	32,063	
	Nursing		3,196
	Restorative		347
	Dietary		1,599
	Housekeeping		87
	Administration		29,953
	Utilities		68
	Taxes and Insurance		273
	Cost of Capital		470
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Nonallowable	4,159	
	Medical Supplies		4,159
	To remove special (ancillary) services reimbursed by Medicare and reclassify expense to the proper cost center State Plan, Attachment 4.19D DH&HS Expense Crosswalk		
7	Housekeeping	330	
	Maintenance	230	
	Administration	91	
	Utilities	180	
	Taxes and Insurance	119	
	Cost of Capital	61	
	Nonallowable		1,011
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursement cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

WHITE OAK MANOR - SPARTANBURG
Adjustment Report
Cost Report Period Ended September 30, 2010
AC# 3-WOS-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	2,300	
	Housekeeping		336
	Maintenance		229
	Administration		1,359
	Legal		7
	Utilities		180
	Taxes and Insurance		125
	Cost of Capital		64
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Nonallowable	588	
	Cost of Capital		588
	To adjust capital return State Plan, Attachment 4.19D		
		\$638,578	\$638,578
	TOTAL ADJUSTMENTS		

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

WHITE OAK MANOR - SPARTANBURG
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2010
 AC# 3-WOS-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>3.15264</u>
Deemed Asset Value (Per Bed)	49,238
Number of Beds	<u>192</u>
Deemed Asset Value	9,453,696
Improvements Since 1981	1,086,786
Accumulated Depreciation at 9/30/10	<u>(2,433,938)</u>
Deemed Depreciated Value	8,106,544
Market Rate of Return	<u>.0420</u>
Total Annual Return	340,475
Return Applicable to Non-Reimbursable Cost Centers	(254)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>8</u>
Allowable Annual Return	340,229
Depreciation Expense	75,423
Amortization Expense	-
Capital Related Income Offsets	(51)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(64)</u>
Allowable Cost of Capital Expense	415,537
Total Patient Days (Minimum 96% Occupancy)	<u>67,277</u>
Cost of Capital Per Diem	\$ <u><u>6.18</u></u>

WHITE OAK MANOR - SPARTANBURG
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2010
AC# 3-WOS-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.49
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.48</u>
Reimbursable Cost of Capital Per Diem	\$6.18
Cost of Capital Per Diem	<u>6.18</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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